Deloitte & Touche

Consolidated Financial Statements of

SECURTEK MONITORING SOLUTIONS INC.

December 31, 1999

Deloitte Touche Tohmatsu

Deloitte & Touche

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AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the consolidated statement of financial position of SecurTek Monitoring Solutions Inc. as at December 31, 1999, and the consolidated statements of operations and deficit and cash flows for the period then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1999, and the results of its operations and its cash flows for the period then ended in accordance with generally accepted accounting principles.

Deloitte & Touche LLP.

Chartered Accountants

Regina, Saskatchewan
May 23, 2000

SECURTEK MONITORING SOLUTIONS INC.

CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

Period ended December 31, 1999

Operating revenues	**$ 348,782**
Direct expenses	**43,231**
Gross profit	**305,551**
Operating expenses	**1,380,598**
	(1,075,047)
Amortization	**144,161**
Interest expense (Note 8)	**28,838**
Net loss, representing deficit at the end of the period	**$ (1,248,046)**

See Accompanying Notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 1999

Assets

Current assets	
Cash	**$ 482,069**
Accounts receivable	**225,992**
Due from SaskTel (Note 4)	**473,852**
Prepaid expenses	**22,568**
	1,204,481
Capital assets (Note 5)	**943,153**
Customer accounts (Note 6)	**3,029,711**
Deferred development costs (Note 7)	**603,234**
	$ 5,780,579

Liabilities and shareholder's equity

Current liabilities	
Accounts payable and accrued liabilities	**$ 779,173**
Deferred revenue	**228,886**
	1,008,059
Due to Holdco (Note 8)	**3,024,282**
	4,032,341
Shareholder's equity	
Share capital	
Authorized - unlimited number of class A common shares	
Issued – 100 shares	**2,996,284**
Deficit	**(1,248,046)**
	$ 1,748,238
	$ 5,780,579

See Accompanying Notes

On behalf of the Board

R Stephanson

CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended December 31, 1999

Operating activities	
Net loss before interest paid	**$ (1,219,208)**
Interest paid	**28,838**
Net loss	**(1,248,046)**
Items not affecting cash from operations	**144,161**
Net change in non-cash working capital items	**285,647**
Cash used in operating activities	**(818,238)**
Financing activities	
Due to Holdco (Note 8)	**3,024,282**
Issuance of share capital	**2,996,284**
Cash provided by financing activities	**6,020,566**
Investing activities	
Capital expenditures	**(1,014,163)**
Customer accounts	**(472,814)**
Business acquisitions (Note 3)	**(2,588,990)**
Deferred development costs	**(644,292)**
Cash used in investing activities	**(4,720,259)**
Increase in cash	**482,069**
Cash, beginning of period	**-**
Cash, end of period	**$ 482,069**

See Accompanying Notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 -- The Corporation

SecurTek Monitoring Solutions Inc. (formerly 591227 Saskatchewan Ltd.) is incorporated under the laws of the Province of Saskatchewan. SecurTek Monitoring Solutions Inc. (the Corporation) is a wholly owned subsidiary of Saskatchewan Telecommunications Holding Corporation (Holdco) with the mandate of providing real time monitoring solutions to customers throughout North America. The operations of the Corporation began on May 5, 1999. Prior to this date the Corporation was a non-operating entity with no assets or liabilities.

The financial results of the Corporation are included in the consolidated financial statements of Holdco. As a wholly owned subsidiary of Holdco, a Saskatchewan Provincial Crown corporation, it is not subject to Federal or Provincial income taxes in Canada.

Note 2 -- Summary of significant accounting policies

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

Consolidation
The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries, SecurTek Partnership No. 1 and SecurTek Partnership No. 2. All significant intercompany transactions and balances have been eliminated.

Revenue recognition
Revenues from the monitoring of alarm systems are recognized when services are performed. Installation revenue is recognized in the month in which the systems are installed.

Capital assets
Capital assets are recorded at cost less accumulated amortization. Amortization is computed on a straight-line basis over the following periods:

Leasehold improvements and software	5 years
Furniture and equipment	4 years
Customer premise equipment	3 years

Customer accounts
Customer accounts are recorded at cost, which relates to monitoring revenues attributed to these accounts. Customer accounts are amortized over ten years.

Deferred development costs
Business development costs incurred during the start-up phase are deferred and will be amortized over a five year period.

Note 3 – Business acquisitions

On November 3, 1999 and December 17, 1999 the Corporation acquired 100% of the common shares of two corporations operating in Saskatchewan. Customer contracts were the only identifiable assets of the acquired companies. The $2.6 million purchase price was equal to the fair market value of the customer contracts acquired.

Note 4 -- Due from SaskTel

Due from SaskTel represents the receivables from customer accounts transferred to SaskTel.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 -- Capital assets

	Cost	Accumulated amortization	1999 Net book Value
Leasehold improvements	$ 347,704	$ 22,134	**$ 325,570**
Equipment and software	327,392	23,010	**304,382**
Furniture	115,797	9,650	**106,147**
Customer premise equipment	223,270	16,216	**207,054**
	$ 1,014,163	$ 71,010	**$ 943,153**

Note 6 -- Customer accounts

	Cost	Accumulated amortization	1999 Net book Value
Acquired accounts	$ 2,588,990	$ 19,450	**$ 2,569,540**
Generated accounts	472,814	12,643	**460,171**
	$ 3,061,804	$ 32,093	**$ 3,029,711**

Note 7 -- Deferred development costs

Additions	$ 644,292
Less:	
Amortization expense	41,058
Ending balance	$ 603,234

Note 8 -- Due to Holdco

Amounts due to Holdco bear interest at the Province of Saskatchewan ninety-day borrowing rate with no fixed repayment terms. Accordingly, the amount due has been classified as long-term.

Note 9 -- Related party transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to Crown Investments Corporation of Saskatchewan (CIC) by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan and Holdco (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year-end, are as follows:

	1999
Direct and operating expenses	**$ 162,580**
Accounts payable	**$ 604,774**

In addition, the Corporation pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to (from) related parties and terms of settlement are described separately in these financial statements and notes thereto.

Note 10 -- Year 2000 issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems, which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.